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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 KEWAZINGA CORP.,

4 Plaintiff,

5 v.

18 CV 4500 (GHW)

6 MICROSOFT CORPORATION,

7 Defendant.

8 -----x

9 New York, N.Y.
March 4, 2020
4:10 p.m.

10 Before:

11 HON. GREGORY H. WOODS,

12 District Judge

13 APPEARANCES

14 STROOCK & STROOCK & LAVAN LLP

15 Attorneys for Plaintiff

16 BY: SAUNAK KIRTI DESAI

GREGORY SPRINGSTED

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Attorneys for Defendants

18 BY: KRISTIN CLEVELAND

19 RYAN FREI

JOHN D. VANDENBERG

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(In chambers; parties present telephonically)

THE COURT: This is Judge Woods. Do I have counsel for plaintiff on the line?

MR. DESAI: Yes, your Honor. This is Saunak Desai, for Kewazinga Corp. And with me is Gregory Springsted.

THE COURT: Thank you.

Do I have counsel for defendant on the line?

MR. VANDENBERG: Yes, your Honor. John Vandenberg, for Microsoft. And with me is Ryan Frei and Kristin Cleveland.

THE COURT: Good. Thank you very much.

So, counsel, I scheduled this conference in response to the submissions by the parties in the joint letter that was filed on February 26. I want to take up the application for leave to amend Microsoft's invalidity contentions. That is the principal item on the agenda for this conference. I also hope to begin to discuss the application to seal portions of the application and a number of the documents that were submitted in connection with it.

With that, let's begin with counsel for Microsoft. I should say, I've read the letter, I read the other materials that you submitted together with it, I have a good sense of the issue. To the extent that either party wishes to supplement the materials that you've presented to me in your letter briefing, you have leave to do so, but do be mindful that I have read the materials that have been submitted to date.

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1 Again, let me turn to counsel for Microsoft. Counsel?

2 MR. VANDENBERG: Thank you, your Honor. John
3 Vandenberg.

4 Your Honor, we submit that its Kewazinga who has
5 lacked diligence here and Microsoft who was prejudiced.

6 The starting point, from a factual standpoint, is
7 September 1998. So, in September '98, Kewazinga met with
8 Sarnoff, it was their first apparent meeting on this project,
9 and what's disputed on this motion are four postmeeting Sarnoff
10 documents describing technology to Kewazinga.

11 Now, in December of 2019 and January of this year,
12 Kewazinga made four new disclosures that put those postmeeting
13 Sarnoff documents in a new light. So we'd had the postmeeting
14 Sarnoff documents that are primarily disputed here, but we
15 submit there were these four new disclosures at the end of
16 discovery that put them in a new light, and I'd like to go
17 through those four disclosures.

18 First, on December 10th, Kewazinga gave us their third
19 supplemental rog response on the issue of conception, and, for
20 the first time, they had identified the two premeeting Sarnoff
21 documents and identified those as evidence of conception by
22 Kewazinga. So that implies that Kewazinga, before the meeting
23 with Sarnoff, had these two premeeting Sarnoff documents in
24 their hands.

25 Second, also on December 10th, or thereabouts,

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1 Kewazinga produced those two documents and included the
2 April 1996 -- so that's two and a half years before the meeting
3 with Kewazinga -- an April 1996 proprietary-labeled Sarnoff
4 document describing mosaicking, and tweening, and other
5 features that eventually wound up in Kewazinga's second patent
6 application.

7 The third new disclosure was on January 21st and 22nd
8 of this year in Mr. Worley's deposition, where he admitted that
9 Kewazinga has no evidence to corroborate that Kewazinga had
10 conceived of either tweening or mosaicking before they met with
11 Sarnoff.

12 And the fourth new disclosure, also January 21st/22nd,
13 was Mr. Worley admitting that the product that Sarnoff had
14 designed for Kewazinga, and that had been described in those
15 postmeeting documents, was covered by the second patent that
16 they filed. And this is something that previously they had
17 resisted admitting. They had previously resisted admitting
18 that the product that was made by Sarnoff actually fell within
19 those patents.

20 And then, in response to that, we have asked them,
21 and, so far, Kewazinga has declined to explain, how and when
22 Kewazinga received those two premeeting documents and why they
23 were not produced earlier in the case.

24 So I'd like to turn, first, to prejudice.

25 Microsoft was prejudiced here because we deposed the

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1 other named inventor, Mr. Sorokin, and we deposed the Sarnoff
2 employees that Kewazinga, in their joint letter, identified,
3 and we deposed those individuals without having these
4 premeeting documents. Kewazinga, presumably, had them, but we
5 did not have them when we deposed the named inventor, Sorokin
6 or Sarnoff.

7 We submit that Kewazinga has not been prejudiced for
8 three reasons:

9 First, it presumably knew all of these facts. It knew
10 it had no way of corroborating a premeeting conception
11 document. It knew it had received from Sarnoff disclosures of
12 tweening and mosaicking before the meeting, et cetera. And it
13 knew that the Sarnoff-created product fell within the second
14 patent.

15 Second, Kewazinga, in their letter, say that this is a
16 new theory of invalidity. And, there, maybe it's a quibble,
17 but it is not a new theory of invalidity. The theory of
18 invalidity here is obviousness under Section 103 of the Patent
19 Act. It is based on some other references - Taylor, Apple,
20 QTZR - in view of some secondary references. From the
21 beginning, we've identified Sarnoff prior art as some of that
22 secondary reference. So this motion is seeking to add six new
23 exhibits in support of that Sarnoff prior art in support of the
24 old theory of obviousness.

25 And then the third point on prejudice is, we would

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1 submit, that if the Court accepts the consented-to portion of
2 our motion; namely, Kewazinga has conceded that it would be
3 proper for us to amend to address as 102(f) prior art the
4 premeeting documents that they produced late, we would submit
5 if the Court accepted that portion, we would submit that should
6 be the baseline in evaluating any alleged prejudice to
7 Kewazinga, if we also added four additional postmeeting
8 exhibits.

9 Turning to diligence: Kewazinga itself has not been
10 diligent, either producing these documents or citing them as
11 evidence of conception. We pushed hard to get a conception
12 date out of them, and, as the third supplemental response
13 suggests, it took many iterations before we got them to finally
14 take this position and identify these documents in December.

15 On the flip side, we submit that we were diligent.
16 Those new disclosures, in December and January, really flipped
17 the timeline here. Before we had those disclosures, the only
18 Sarnoff documents that we had that were disclosures from
19 Sarnoff to Kewazinga of relevant technology were after the
20 parties had met, after Kewazinga and Sarnoff met, back in
21 September 1998. So, in that scenario, with the presumption of
22 validity, it would be a very hard argument to make that these
23 documents that flowed out of that meeting, the postmeeting
24 documents, were actually the ideas and inventions of Sarnoff,
25 not influenced by the meeting. But now we know that the

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1 postmeeting documents were actually a continuation of a stream
2 of disclosures from Sarnoff to Kewazinga that began before the
3 meeting. So that puts everything in a different light.

4 We also know from Mr. Worley -- and I believe he may
5 have been testifying as a 30(b)(6) at that point, but at least
6 as an officer of the company -- but Kewazinga has no evidence
7 to corroborate that they invented this stuff before the
8 meeting, and, therefore, they can't prove they invented it
9 before the premeeting disclosure documents that have now been
10 produced.

11 So now, we submit, we finally have the clear and
12 convincing evidence that makes sense for us to rely on these
13 four additional postmeeting documents as prior art, as 102(f)
14 prior art.

15 In conclusion, your Honor, if Kewazinga had come clean
16 and produced these documents, the premeeting documents, a year
17 ago, and identified those as evidence of alleged conception,
18 and we didn't at that point then identify the postmeeting
19 documents as 102(f), well, then, yes, we would not have been
20 diligent. But as it is, Kewazinga was the one who was not
21 diligent and Microsoft is the one that's been prejudiced.

22 THE COURT: Good. Thank you.

23 Let me turn to counsel for plaintiff. Counsel?

24 MR. DESAI: Yes, your Honor. I'd like to start by
25 addressing counsel -- Microsoft's counsel focused heavily on

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1 the two documents that we produced in December and seems to --
2 attempts to link that back to the entire issue in reference to
3 documents, but I believe that they're fundamentally
4 misunderstanding what those documents are and what they show.
5 And I'll focus on one quote that I believe Mr. Vandenberg said,
6 is that the documents that were produced in December were part
7 of a stream of disclosures to Kewazinga before the meeting
8 between Sarnoff and Kewazinga took place. That isn't the case.
9 That's not what the documents are. And it's apparent from the
10 documents themselves.

11 One is a public website, the Sarnoff website, as it
12 existed prior to that meeting date, and another is a document
13 that is a Sarnoff marketing document that has information about
14 some of the technology that it provides.

15 Now, the most fundamental misunderstanding, I believe,
16 is that Microsoft appears to believe that Kewazinga's points to
17 those documents as some sort of development documents or
18 suggesting that information was taken from those documents as
19 to the conception of the inventions. The reason those
20 documents were cited and laid out in Kewazinga's interrogatory
21 response, in its corroboration of the testimony of the named
22 inventors, including a named inventor that has not been
23 affiliated with Kewazinga for 20 years nearly, is that
24 Kewazinga was aware of Sarnoff, and not just Kewazinga, but
25 people were aware of Sarnoff in that time period, before

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1 Kewazinga met with Sarnoff, and they were known for having
2 image processing technology in the sense of algorithms and
3 specific types of -- in that sense of code and software.

4 That's actually why Kewazinga went to Sarnoff once it
5 had its idea, was because they were known for having that
6 technology that could be used to create a commercial product
7 based on the ideas in the invention. That is what those
8 documents show.

9 Microsoft has completely either misunderstood or
10 misrepresented those documents and is suggesting that there was
11 some development based of an idea based on those documents. I
12 don't believe that's the case.

13 Now, I will -- just to address a few other things that
14 have been stated on those documents: I believe Mr. DiBernardo,
15 at his recent deposition, actually did provide some of the
16 information that Mr. Vandenberg says that Kewazinga has not
17 provided about those documents. But, again, the main thing to
18 understand about those two documents that Mr. Vandenberg
19 focuses on heavily is that they are just corroboration of the
20 points that both named inventors testified, which is why
21 Kewazinga had approached Sarnoff after they had already formed
22 their idea for coming up with the invention. They are not
23 suggesting that Kewazinga looked at those documents or took
24 those documents into account as part of coming up with their
25 invention.

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1 And based on that, I believe the entire premise of
2 Microsoft's argument falls apart, because as you noticed from
3 his argument, it seems all to be based on those documents.

4 Now, I would like to step back a little bit and
5 address some of the other points that were made.

6 A very fundamental issue, I think, is that it's
7 important to be clear about what the amendment entails because
8 Microsoft is lumping together six different documents, as well
9 as a vaguely defined catchall, as what it calls Sarnoff 102(f)
10 prior art. But it's using those things for different purposes,
11 and it's important to understand the differences between them,
12 because what they are trying to do is combine them with prior
13 art. And although Mr. Vandenberg contends that that's not a
14 new theory, it is commonly a new theory to add a new prior art
15 reference, is considered -- to add a new prior art reference to
16 be relied upon as a part of an obviousness combination.

17 So they've grouped them all together, but they really
18 should be considered individually; as even Microsoft recognizes
19 from the redline of its invalidity contentions, they have
20 different disclosures. And, so, the important thing to
21 understand about how we felt before we sent the documents is
22 that there is no dispute that they've been in Microsoft's
23 possession since March of 2019, nearly a year ago, and what
24 they really are is documents that were created by Sarnoff for
25 Kewazinga; that is, after Kewazinga went to Sarnoff with its

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1 idea, so that Sarnoff could help create -- build a commercial
2 product for Kewazinga based on its idea, Sarnoff created
3 documents as part of that work.

4 So, that's the context of those four contested
5 documents. I'll also note that there is reference that was not
6 previously addressed during counsel's statement, but there is
7 an attempt to add a vague catchall to its contentions, so it
8 can apparently combine what is, quote, all aspects of the case
9 that's been developed by Sarnoff and disclosed to Kewazinga or
10 a Kewazinga patent applicant before October 15, 1999.

11 Now, there's no indication of what specific
12 information or documents are encompassed by that catchall, and
13 it provides next to nothing in terms of notice about what an
14 obviousness combination based on that catchall would even be,
15 but even putting aside the rules on the amendment of
16 contention, that catchall wouldn't even have been appropriate
17 in earlier contentions because it doesn't explain what
18 Microsoft is relying on as part of its invalidity theory.

19 So Microsoft has the burden of establishing diligence,
20 and it hasn't satisfied that here, because there is no dispute
21 that they've had the documents since March 2019, and they have
22 not put forth a proper justification for why they have waited.
23 So, I think I addressed one justification that they've raised,
24 which is, I believe, their fundamental misunderstanding of the
25 two documents that Kewazinga cited, which are not showing what

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1 Microsoft or somebody's showing. That was set forth in our
2 joint letter as well.

3 But what they do point to in their letter is that --
4 their reason they waited to depose Mr. Worley, but that doesn't
5 address the issue here because they have not pointed to what
6 they learned from Mr. Worley that warrants an amendment. They
7 say that they learned that they were able to supposedly learn
8 that Kewazinga cannot prove its allegation of having conceived
9 the claimed invention before Sarnoff did, but let's be clear
10 here that the burden of proving invalidity is on Microsoft, and
11 for 102(f) in particular, Microsoft has the burden of proving
12 that the named inventors did not invent the subject matter
13 sought to be patented. That's the language of the statute, and
14 as the Federal Circuit held in the case law we cited, Microsoft
15 has the burden of proving that improper inventorship.

16 So, given that it has the burden, Microsoft can't hold
17 back arguments to -- on things that it has the burden to prove
18 until it supposedly objectively believed that Kewazinga can't
19 rebut its own those contentions. A good cause to amend doesn't
20 turn on Microsoft's own beliefs about the strength of its
21 argument. That's essentially what Microsoft is arguing, that
22 they had some argument, but they chose to wait to disclose it
23 until at least, in their view, they confirmed that argument.

24 Now, that approach would allow defendants to hold back
25 certain types of prior references until the end of discovery

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1 and then say, well, we didn't learn anything during discovery
2 about an early conception date, so now we're disclosing all
3 this other prior art as well. But that's not how invalidity
4 contentions work. The theory of invalidity needs to be
5 disclosed regardless of whether there's some question as to
6 whether the patentee can rebut that theory.

7 I'd also like to note that, although Microsoft says
8 that it's learned something from Mr. Worley's deposition, that
9 Kewazinga can't corroborate an earlier conception date, which,
10 again, is improperly shifting the burden of proof. Both
11 Mr. Worley and a separate named inventor, Mr. Scott Sorokin,
12 who, again, has not been affiliated with Kewazinga for 20
13 years, both testified, independently of each other, that
14 Kewazinga conceded the invention before meeting Sarnoff, and he
15 testified that the reason that Kewazinga even went to Sarnoff
16 was in order to get help with building a commercial version of
17 the product once they had that idea.

18 So, it's not like Microsoft is pointing to a changed
19 understanding of the substance of these contested documents
20 that it wants to add to its contentions. They haven't
21 suggested the documents were difficult to understand or that
22 they learned something new about the documents; in fact, they
23 didn't even ask very many questions about those documents to
24 Mr. Worley. I believe for some of them, they didn't ask any
25 questions. So I don't believe that they have actually shown

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1 that they learned something from Mr. -- with Mr. Worley's
2 deposition that would change -- show any change to
3 understanding here.

4 And as to prejudice, again, much of Mr. Vandenberg's
5 argument about prejudice was focusing on some supposed
6 prejudice to Microsoft, that, again, I would submit is based on
7 their own misunderstanding of the documents that Kewazinga
8 produced and cited in an interrogatory response. But the
9 prejudice here to Kewazinga was that Sarnoff was deposed as a
10 corporation back in November, and prior to that deposition,
11 there was no -- this theory was not in the case, Microsoft had
12 not put it in its contentions. And so by the (inaudible) and
13 raising it in an amendment, Microsoft impeded Kewazinga's
14 ability to even test that theory or ask about it during the
15 deposition of Sarnoff, which, again, was deposed as an
16 organization, as a 30(b)(6).

17 So I believe there is prejudice in this late amendment
18 that has not been justified in any way.

19 THE COURT: Good. Thank you.

20 Counsel for plaintiff, when did you learn that you had
21 these documents? Why did you not produce them until this
22 year -- or, I'm sorry, recently?

23 MR. DESAI: Well, the documents we had -- the two --
24 so there's one -- there are two separate documents. One was
25 recently found. I believe Mr. DiBernardo testified at his

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1 deposition that it was received from a consultant that worked
2 with Kewazinga, Christian Tilley, recently, but just recently
3 before it was produced. The other document was just a Sarnoff
4 publicly available website from August 1998. Again, these
5 documents are just showing that corroborating testimony from
6 the experts about why Kewazinga went to Sarnoff. It wasn't
7 clear that they were -- I believe Microsoft has taken them to
8 be development documents or suggesting that IT is worth taking
9 from them in terms of coming up with ideas for the invention,
10 but they weren't. But that's not the case. And I believe
11 Mr. DiBernardo testified that his understanding was that one of
12 those documents was not in the possession of Kewazinga. The
13 point was it was to show the kind of technology that Sarnoff
14 had.

15 And I want to return to one point, is that there
16 wasn't really a surprise about this because Kewazinga's own
17 patent cites Sarnoff's patents and incorporates those by
18 reference. Those were talked about heavily during the claim
19 construction. The Burt patent and the Hanna patent, those are
20 Sarnoff patents that were incorporated by reference into the
21 Kewazinga patent. So obviously predated the filing of the
22 Kewazinga patent.

23 In fact, Microsoft has relied on those patents as
24 prior art in its invalidity contentions, so it's not really a
25 surprise that Sarnoff had mosaicking and tweening technology,

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1 which is what the Burt patent and the Hanna patent are directed
2 to. So, although Microsoft, again, focuses heavily on those
3 documents, I believe those documents, one, are not direct
4 evidence of conception, they are just corroborating the
5 Kewazinga testimony about when -- about why Kewazinga went to
6 Sarnoff; and, secondly, cumulative of what's already on the
7 face of the patent, which is that Sarnoff has mosaicking and
8 tweening technology that's incorporated by reference into the
9 Kewazinga patent and used in a new light.

10 THE COURT: Good.

11 So, thank you very much, counsel, for your arguments.
12 Give me just a few moments as I consider them, and I'll be back
13 briefly with a response.

14 (Pause)

15 THE COURT: So, counsel, thank you very much. I'm
16 back with you now.

17 Let me first describe the basic legal principles that
18 I will apply here as you're about to hear, given that, in
19 pertinent part, the Court has adopted the local rules of the
20 Northern District of California. I'm going to look to the law
21 both for that district as well as Federal Circuit law with
22 respect to these issues. So let me just begin.

23 Under the Northern District of California's local
24 patent rules, "Amendment of the infringement contentions or the
25 invalidity contentions may be made only by order of the Court

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1 upon a timely showing of good cause. Nonexhaustive examples of
2 circumstances that may, absent undue prejudice to the nonmoving
3 party, support a finding of good cause include: (a) a claim
4 construction by the Court different from that proposed by the
5 party seeking amendment; (b) recent discovery of material,
6 prior art, despite earlier diligent search; and (c) recent
7 discovery of nonpublic information about the accused
8 instrumentality which was not discovered, despite diligent
9 efforts, before the service of the infringement contentions."
10 Rule 3-6.

11 Courts "have understood the good-cause requirement in
12 the local patent rules to require a showing that the party
13 seeking leave to amend acted with diligence in promptly moving
14 to amend when new evidence is revealed in discovery." 02 Micro
15 International Ltd. v. Monolithic Power Sys., Inc., 467 F.3d
16 1355, 1363 (Fed. Cir. 2006). Good cause "considers first
17 whether the moving party was diligent in amending its
18 contentions and then whether the nonmoving party would suffer
19 prejudice if the motion to amend were granted." Acer, Inc. v.
20 Tech Prob. Ltd., 2010 WL 3618687, at *3 (N.D.Cal. Sept. 10,
21 2010)(citing 02 Micro, 467 F.3d at 1355). Importantly,
22 however, the Court may only consider prejudice to the nonmoving
23 party if the moving party is able to demonstrate diligence.
24 Apple v. Samsung, 2012 U.S. Dist. LEXIS 83115, at *13, 2012 WL
25 1067548 (N.D.Cal. Mar. 27, 2012)(collecting cases).

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1 Courts have understood diligence to require a "showing
2 that the party seeking leave to amend acted...properly [in]
3 moving to amend when new evidence is revealed in discovery."
4 02 Micro, 467 F.3d at 1363, 1366 (collecting cases). The
5 burden "is on the movant to establish diligence rather than on
6 the opposing party to establish lack of diligence." 02 Micro,
7 467 F.3d at 1366. Furthermore, the moving party must show that
8 it was both diligent throughout discovery and in "discovering
9 the basis for the proposed amendment." West v. Jewelry
10 Innovations, Inc., 2008 WL 4532558, at *2 (N.D.Cal. Oct. 8,
11 2008).

12 In determining whether good cause exists, courts have
13 also considered such other factors as (1) the reason for the
14 delay, including whether it was within the reasonable control
15 of the party responsible for it; (2) the importance of what is
16 to be excluded; (3) the danger of unfair prejudice; and (4) the
17 availability of a continuance and the potential impact of a
18 delay on judicial proceedings. See Oy Ajat, Ltd. v. Vatech
19 Am., Inc., 2012 WL 1067900, at *20-21 (D.N.J. Mar. 29,
20 2012)(collecting cases).

21 The requirement that the moving party act with "the
22 requisite diligence" does not mean, however, that courts demand
23 "perfect diligence" - "hindsight is often 20/20," and courts
24 recognize that "identifying and evaluating prior art can be
25 difficult." Fujifilm Corp. v. Motorola Mobility LLC, 2014 WL

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1 491745, at *4 (N.D.Cal. Feb. 5, 2014). "Courts have allowed
2 amendments when the movant has made an honest mistake, the
3 request to amend did not appear to be motivated by
4 gamesmanship, or where there was still ample time left in
5 discovery." OpenDNS, Inc. v. Select Notifications Media, LLC,
6 2013 Westlaw 2422623, at *3 (N.D.Cal. June 3, 2013).

7 Having considered all of the facts as presented to me
8 in light of the governing standard, I'm going to permit
9 Microsoft to amend its contentions. Let me just say a few
10 brief words about the diligence and prejudice prongs that I'm
11 required to consider in connection with this application.

12 First, with respect to diligence: Counsel for
13 Microsoft has stated a number of ways in which it believes or
14 asserts that it was diligent here. Among other things,
15 Microsoft asserts that it was reasonably diligent in seeking
16 this amendment because only after deposing Mr. Worley,
17 Kewazinga's 30(b)(6) witness, "could Microsoft learn that
18 Kewazinga cannot prove its allegation of having conceived the
19 claimed inventions before Sarnoff did. That is what makes
20 these Sarnoff documents preconception prior art." Docket
21 No. 113 at 2-3.

22 Here, too, Microsoft has explained how it is that
23 these recent disclosures of the two prior meeting documents
24 showed that this was, I believe in their word, a stream of
25 communications, and they have described that as a basis for

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1 their realization, at this stage in the case, that there is a
2 viable claim that the contention should be amended as suggested
3 here.

4 Now, in response, Kewazinga has asserted that
5 "Microsoft misleadingly focuses on the two documents most
6 recently produced by Kewazinga, which are not opposed in this
7 motion. The remaining four documents have been in Microsoft's
8 possession since March 2019. Microsoft does not even cite
9 those four documents (the 'contested documents')." Docket No.
10 113 at 3.

11 Kewazinga acknowledges that "because the issuance of a
12 patent creates a presumption that the named inventors are the
13 true and only inventors, id., the burden of showing misjoinder
14 or nonjoinder of inventors is a heavy one and must be proved by
15 clear and convincing evidence." Board of Education ex rel.
16 Board of Trustees of Florida State University v. Am.
17 Bioscience, Inc., 333 F.3d 1330, 1337 (Federal Circuit 2003).
18 Thus, the argument that Microsoft could not in good faith
19 assert that Kewazinga had not conceived of the claimed
20 inventions before Sarnoff did, prior to the Worley deposition,
21 is fair and supports a finding of diligence. See Helsinn
22 Healthcare S.A. v. Dr. Reddy's Labs, Ltd., 2013 WL 3336859, at
23 *4 (D.N.J., July 2, 2013) (finding that "additional discovery,
24 including depositions, may be necessary to reveal, develop, or
25 confirm that sufficient evidence exists to support a party's

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1 proposed amendments" and "that pieces of the puzzle might have
2 been revealed at earlier times does not mean that a completely
3 picture was likewise available").

4 I should note, as a brief aside, that I do not want to
5 establish a rule of the type that I understand Kewazinga to be
6 arguing for here; namely, that a party is required to throw any
7 argument into a litigation as early as they know that it might
8 possibly have some relevance to the case. I think it is proper
9 and appropriate for a party to not interpose arguments into a
10 litigation unless and until they believe that they have a sound
11 basis upon which to do so.

12 So I do not hold it against Microsoft that they chose
13 not to throw an issue into this case that they believe to be
14 unsubstantiated. I do not believe that is improper; to the
15 contrary, I believe that that is consistent with their
16 obligations as officers of the court, and I hope that the
17 parties here appreciate that some degree of probity in the
18 selection of claims and contentions is a good thing, not a bad
19 thing. Cases such as this are much harder to litigate if --
20 would be much harder to litigate if a party was, as Kewazinga
21 suggests, required to raise any possible argument, even if they
22 did not believe that it was viable at the time. I will not
23 penalize Microsoft for failing to raise an issue at a time that
24 they did not understand it to be a viable one.

25 Separately, the cases that Kewazinga cites do not

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1 support its argument here. In *West v. Jewelry*
2 *Innovations, Inc.*, the defendant did not describe "the efforts
3 it undertook to discover additional prior art" and did not
4 "explain any impediments to finding" the prior art. 2008 WL
5 4532558, at *3 (N.D.Cal. Oct. 8, 2008). And in *Shire LLC v.*
6 *Amneal Pharm., LLC*, the Federal Circuit stated only that the
7 defendants had not shown that the district court abused its
8 discretion in denying their motion to amend.

9 Now, with respect to prejudice, I do not believe that
10 there is a sufficient prejudice to justify denial of this
11 motion, which is otherwise clearly warranted. Counsel for
12 Microsoft pointed to the reason why it is that this application
13 was not made previously; namely, that these documents were not
14 previously provided, but, moreover, with respect to prejudice
15 on *Kewazinga*, I note, first, where we are in the schedule.
16 Here, expert discovery does not close until May 2020, and
17 upcoming discovery deadline tends to loom large in the
18 prejudice analysis. See *Karl Storz Endoscopy-Am., Inc. v.*
19 *Stryker Corp.*, 2016 WL 2855260, at *7, (N.D.Cal., May 13,
20 2016)(collecting cases). As a result, "the Patent Local Rule's
21 concern with parties sandbagging opponents late in the
22 discovery period is [not] at issue." *Fujifilm*, 2014 WL 491745,
23 at *6. To the extent that the parties wish to request leave to
24 conduct a supplemental deposition of *Sarnoff*, you may consider
25 making such an application to the Court. I simply note that

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1 there is adequate time within the expert discovery period for
2 the parties to conduct additional discovery as needed within
3 the current set of deadlines.

4 So, here, courts have found no prejudice where the
5 proposed amendments did not pose a risk to discovery motion
6 deadlines or the trial schedule, and given the leeway in our
7 current discovery schedule, I don't believe that to be a
8 substantial prejudice to the parties and, in particular, to
9 plaintiff here.

10 Separately, I note that a number of the arguments
11 raised by Kewazinga with respect to prejudice seem to go to the
12 merits of the proposed invalidity contention. They argue that
13 these additional documents are not evidence of conception. I'm
14 not deciding that at this point. They may or may not be
15 evidence of conception. Of course, if they are not, then
16 there's no prejudice other than the time spent in responding to
17 this additional contention. If they are, then it's appropriate
18 for the parties to litigate this case on the merits, and I
19 don't believe that either of these arguments undermines the
20 Court's determination that Microsoft has shown a sufficient
21 diligence to justify the amendment to the contentions, and that
22 they have also shown both that part of this prejudice arises
23 from Kewazinga's failure to previously disclose these documents
24 and, also, that the prejudice to Kewazinga is not sufficient to
25 lead the Court to deny leave to amend.

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1 So, for those reasons, I'm granting the application to
2 amend.

3 Now, I'd like to spend a little bit of time with the
4 application to seal. I'm looking at the letter that was
5 submitted in the highlighted version, and I do not see that I
6 have adequate justification to overcome the presumption of
7 public access to judicial documents with respect to, frankly,
8 all of the highlighted information or documents. It appears
9 that someone on the phone believes that everything in
10 Mr. Worley's deposition should be treated as under seal. I
11 don't know what the basis for that is. I also don't know
12 enough information to make the required on-the-record findings
13 balancing the public interest in viewing judicial documents
14 against any associated harm. I'm supposed to make
15 particularized on-the-record findings with respect to that,
16 and, here, it appears that the basis for sealing this
17 information is an agreement by the parties to treat documents
18 and a deposition as confidential. That is not, on its own,
19 sufficient to justify a seal.

20 So, counsel, can I hear from whoever it is that's
21 requesting these documents be redacted or sealed? I will begin
22 with just the very first couple of highlighted sentences in the
23 letter. The second sentence describes the content of
24 Mr. Worley's testimony; the first sentence describes the
25 allegations regarding what the content is of certain documents.

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1 I don't know the basis for redacting this information or
2 sealing any of the exhibits. The information that was
3 presented to me is very generic, and, again, the parties'
4 agreement to hold something confidential is not sufficient,
5 otherwise this would be the Star Chamber, and it's not.

6 So I understand that these redactions are requested by
7 Kewazinga, so let me hear from you.

8 MR. DESAI: Yes, your Honor.

9 I think the one thing that may clarify something is
10 the document that you're referring to, that's providing you
11 little information, so there was initially a motion to seal
12 filed by Microsoft along with, concurrently, its filing. I
13 believe your Honor's local rules changed recently or individual
14 rules changed recently with respect to filing material under
15 seal, and that's Rule 4(a)(2). And I believe what it changed
16 was that the party making the -- moving and submitting the
17 joint letter, if it's the other party's confidential
18 information, that they will submit a form motion to seal and
19 the other party will submit a letter within three days
20 explaining the need to seal.

21 So Kewazinga -- and I believe there was an order from
22 the Court that came out after the motion to seal was filed that
23 Kewazinga responded to with its letter explaining the basis for
24 the confidentiality, the redactions, and the sealing. So I
25 guess one point of clarification would be when you're referring

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1 to a document that did not provide you with sufficient
2 understanding of what's under seal, are you referring to, I
3 guess, document 112 or -- sorry, yes, document 112 or document
4 118 that was filed by Kewazinga afterwards?

5 THE COURT: I'm referring to all of the documents.
6 I've read your letter at 118. And, counsel, to be clear, if
7 that's all that you want to give me, I'm going to unseal
8 everything. This is not sufficient. You say in the letter,
9 counsel, that the reason why it's being offered under seal is
10 because they've been designated as confidential under the
11 protective order.

12 The protective order specifically says that the
13 agreement by the parties to maintain a document as confidential
14 is not sufficient. So, this is what I have, this is the only
15 basis I have, and, at this point, I'm going to unseal it. So,
16 if you have some other argument that you'd like to present,
17 specific information that you will provide to me that provides
18 me the basis to overcome the presumption of public access to
19 judicial documents, you should do so, because the fact that the
20 parties agreed to make something confidential is not adequate.
21 The Second Circuit made that very clear very recently in the
22 Epstein case. And I'm going to unseal everything if this is
23 your answer, counsel.

24 MR. DESAI: Yes, your Honor. I understand -- sorry, I
25 was just trying to clarify. Our position is not that anything

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1 should remain under seal just because of an agreement between
2 the parties. We're completely in agreement on that point. I
3 believe we had tried to explain in some of the -- in our letter
4 as to why the depositions and some of the other exhibits that
5 were filed include specific confidential information about the
6 business dealings between Kewazinga and third parties. We were
7 expecting, I believe, a deadline on Monday, in accordance with
8 the rules that three days after the filing to be able to submit
9 that, but I believe then we were ordered to file it on Friday.
10 If I could request a date to submit a further explanation, that
11 would be appreciated. But as to the exhibits that were filed,
12 it is not on the basis of an agreement between the parties; it
13 is because the exhibits and the portions of the letter redacted
14 include information that is sensitive confidential business
15 information related to the dealings of Kewazinga and a third
16 party that were based on confidential relationships.

17 THE COURT: Thank you.

18 So please do, but your submission should be
19 particularized. Again, just looking at the very first page of
20 the submission, because it's the first thing that I see, you
21 redact a sentence that describes Mr. Worley's testimony. It
22 redacts a statement about what he did not know anything about.

23 What the justification will be that you will present
24 to me regarding his lack of information, showing that his lack
25 of information should be sealed, is something that I do not

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1 seek to make up on my own. You should look through this and
2 each thing that you're asking me to take out, having read the
3 relevant Second Circuit cases and understanding the standard
4 that I will be applying. It appears to me that every statement
5 made by Mr. Worley in his deposition is being treated as
6 sealed, and there's no basis for that here.

7 So, yes, I'm happy to give you additional time. It
8 should be very particularized. The fact that something
9 involves a business relationship, particularly whereas here,
10 we're talking about a business relationship from over two
11 decades ago, I will need very specific information to support
12 the finding. Again, this is, as I understand it, a series of
13 information about a business relationship or communications
14 about technology from 20-plus years ago. If you think that
15 that is still of such a nature, that its disclosure will give
16 rise to some actual harm, you're going to need to explain it,
17 because, as you know better than I do, technology is a
18 fast-moving field, and if you think that everything about
19 technology that was said 20-plus years ago has any impact on
20 where the market or technology is now, you're going to need to
21 support that with facts, because it's not my assumption.

22 Good. So, counsel for Kewazinga, when would you
23 propose to submit the supplemental information to me with
24 respect to those issues?

25 MR. DESAI: One moment, your Honor?

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1 Your Honor, just based on certain deadlines in this
2 case currently pending, if your Honor would be -- if it would
3 be acceptable to file it on Monday, would that work for your
4 Honor?

5 THE COURT: Yes, that's fine. Thank you. Good. I
6 look forward to seeing it.

7 Anything else we need to take up here, first, counsel
8 for plaintiff?

9 MR. DESAI: Nothing related to the issues. I did want
10 to flag that I believe that there was currently a dispute
11 between the parties regarding the amendment of infringement
12 contentions that is being raised and I expect will be filed
13 soon as well. I just wanted to flag it for the Court, but it
14 will be filed soon.

15 THE COURT: Thank you. I'm happy to resolve any
16 issues that the parties bring to me.

17 Counsel for defendant, anything from you?

18 MR. VANDENBERG: No, your Honor. Thank you.

19 THE COURT: Good. Thank you, all.

20 * * *